

Message Text

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ACTION XMB-04

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FM AMEMBASSY HELSINKI
TO SECSTATE WASHDC 1076

UNCLAS HELSINKI 0475

FOR DAVID BEIM EXECUTIVE V.P. EXIMBANK

E.O. 11652: N/A
TAGS: EFIN, FI
SUBJECT: EXIM BANK CREDIT/GUARANTEE NOS. 5801/5802

REF: STATE 048860

1. DUE TO URGENCY OF BANK OF FINLAND CREDIT RESTRICTIONS
IT IS OF PARAMOUNT IMPORTANCE FOR YOU TO UNDERSTAND COMPLI-
CATIONS OF FINNAIR LOAN WITH YOU. IT IS HIGHLY DOUBTFUL THAT
THEY WOULD BE GRANTED PERMISSION TO BORROW FURTHER, EMPHASIZING
THE URGENCY OF THIS MATTER.

2. FROM A POLITICAL STANDPOINT, AS AMERICAN AMBASSADOR
I STRONGLY HOPE ACCOMMODATION MIGHT BE MADE. I HAVE THE
FOLLOWING REASONS FOR THE NEED FOR THEIR LOAN EXTENSION. IN A
SESSION WITH FINNAIR THEY EXPLAINED AS FOLLOWS:

3. IN POINT 1 OF REFTEL THE INTEREST RATE IS INDICATED AS
BEING 8 PERCENT. SUCH RATE REFERS TO THE BASIC AMOUNT OF
\$11,700,000 OF THE LOAN ONLY. TO COVER THE EXIMBANK'S
COST OF MONEY, THE RATE WAS INCREASED TO 9 PERCENT WITH
REGARD TO THE PORTION OF LOAN EXCEEDING \$11,700,000, OR
\$3,900,000. ALL THE UNDISBURSED AMOUNT IN \$2,237,704.83
BELONGS TO THIS LATTER PART, AND IS THEREFORE SUBJECT TO
AN INTEREST RATE OF 9 PERCENT INSTEAD OF 8 PERCENT. THIS
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MAY HAVE SOME SIGNIFICANCE FROM THE POINT OF VIEW OF
EXIMBANK. FINAL MATURITY: THE FINAL MATURITY UNDER
SCHEDULE B IS 10/15/86 INSTEAD OF 4/15/87 AS SHOWN
REFTEL.

4. IN POINT 2 EXIMBANK REFERS TO "A SMALL COMPLEMENT OF
SPAERS" AND TO "SPARE PARTS TAKEN SEPARATELY". SPEAKING

ABOUT "SPARE PARTS" THIS IS NOT QUITE A CORRECT EXPRESSION
IN THIS CONTEXT.

THE FIRST DC-9-51 OF FINNAIR WAS THE FIRST EVER
JT8D-15 POWERED SERIES 50 DC-9 MODEL. AT THE DELIVERY
OF THIS AIRCRAFT IT WAS FOUND THAT THE MODEL HAD A DRAG
PROBLEM, MEETING THE GUARANTEED BY NOT THE NOMINAL PER-
FORMANCE. STUDIES WERE IMMEDIATELY STARTED TO FIND A
REMEDY, AND A DECISION HAS NOW BEEN MADE TO CHANGE TO THE
MORE POWERFUL JT8D-17 ENGINES. AS ONE BENEFICIAL EXAMPLE, NEW ENGI-
NES REQUIRE 300 FEET LESS RUNWAY.

THIS DESIGN PROBLEM OF THE AIRCRAFT HAS INVOLVED THE FOLLOWING
COSTS FOR YEARS 1977

THROUGH 1979:

MODIFICATION PARTS FOR UPRATING ENGINES \$640,000

SPARE ENGINES, PROBABLY TWO JT8D-17'S \$1,445,000

ENGINE PARTS \$260,000

TOTAL \$2,345,000

THE REQUIREMENT OF UP TO TWO ADDITIONAL ENGINES IS A
RESULT OF THE HEAVY MODIFICATION PROGRAM RESTRICTING
AVAILABILITY OF ENGINES FOR SERVICE. ORDERS FOR INTITAL
ENGINE SPARE PROVISIONING WERE WITHHELD UNTIL THE
UPRATING PROBLEM WAS SOLVED.

A SIMILAR PROBLEM HAS ARISEN WITH REGARD TO SOME
FUSELAGE COMPONENTS. DUE TO UNFORSEEN STRUCTURAL
DIFFICULTIES THE RUDDERS AND ELEVATORS HAVE TO BE SUB-
JECTED TO A PREMATURE OVERHAUL. TO MINIMIZE GROUDING
OF THE FLEET, WE HAVE BEEN FORCED TO ORDER SPARE RUDDER
AND ELEVATORS FOR A VALUE OF \$230,000.

ORDERS ALREADY MADE, WITH THE DELIVERIES NOT PERFORMED
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AS YET, AMOUNT TO \$800,00 THIS INCLUDING A.O.T. A FLIGHT
TRAINER, LANDING GEARS, ETC. DELIVERY OF THE LATTER ITEM
IS DUE IN OCTOBER 1977.

EXPERIENCE GAINED WITH THE DC-9-51 IN SERVICE SHOWS THAT
WE STILL HAVE TO ADD COMPONENTS , ROTABLES AND MAINTENANCE
EQUIPMENT FOR ABOUT \$1,525,000 TO BRING THE INVENTORY OF
THESE ITEMS TO A LEVEL NECESSARY FOR A TROUBLEFREE OPERATION
OF THE FLEET AND PERFORMANCE OF THE OVERHAUL OF THE
COMPONENTS AND ROTABLES.

FINALLY, THE ADDITION OF JT8D ENGINES TO FINNAIR'S FLEET, WHICH
WAS ACCOMPLISHED WHEN ORDERING THE DC-9-51, HAS IMPROVED
THE ECONOMICS OF AN ENGINE OVERHAUL SHOP CONSIDERABLE AND
A DECISION TO GO AHEAD HAS BEEN MADE. SPEICAL TOOLS
AND MACHINE TOOLS FOR A TOTAL OF \$1,100,000 WILL BE
BOUGHT IN THE UNITED STATES.

SUMMED UP, ALL THE ITEMS DESCRIBED ABOVE TOTAL
\$6,000,000.

5. IN VIEW OF THE ABOVE, EXIMBANK IS REQUESTED TO

RECONSIDER WHETHER IT WOULD, IN ORDER TO ENABLE FINNAIR TO COMPLETE ITS PROCUREMENT PROGRAM AND FINANCE IT WITH THE SUBJECT LOAN, BE IN A POSITION TO EXTEND THE AVAILABILITY FOR THE PERIOD AS PROPOSED BY FINNAIR. UNLESS THIS CAN BE DONE, IT IS PROPOSED THAT, BY A TEMPORARY JUDGEMENT, THE AVAILABILITY BE, IN THIS PHASE, EXTENDED THROUGH JUNE 30, 1977 AND THE CASE BE BROUGHT UP AGAIN FOR FINAL CONSIDERATION BEFORE EXPIRATION OF THE PERIOD SO EXTENDED.

6. IF PERCHANCE YOU ARE UNABLE TO ACT FAVORABLE REGARDING THE ABOVE INFORMATION, I RESPECTFULLY HOPE YOU WILL ALLOW A FACE-TO-FACE MEETING WITH FINNAIR PRESIDENT AND CHAIRMAN KORHONEN IN MID-APRIL.

7. THANK YOU FOR YOUR CONSIDERATION OF THE POLITICAL AS WELL AS THE ECONOMIC ASPECTS OF THIS REQUEST. AS SOON
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